No. 20101

IN THE

United States Court of Appeals

FOR THE NINTH CIRCUIT

THE BOBRICK CORPORATION,

Appellant,

vs.

AMERICAN DISPENSER CO., INC.,

Appellee.

APPELLEE'S BRIEF.

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JURISDICTION.

This is a patent infringement suit brought by The Bobrick Corporation, Appellant herein, against American Dispenser Co., Inc., Appellee herein, and others. The District Court had jurisdiction of the subject matter under 28 U.S.C. 1338(a). The Appellee brought a motion to dismiss the suit against it for lack of jurisdiction over the person and for lack of proper venue under 28 U.S.C. 1400(b). The motion was granted and Appellant has appealed to this court. It is contended by Appellee that the District Court does not have jurisdiction of this case for the reasons set forth in its motion. but it is admitted that the Court of Appeals has jurisdiction to hear this appeal under 28 U.S.C. 1291 and 1292(4).

STATEMENT OF PLEADINGS.

On *October 27, 1964,* The Bobrick Corporation, Plaintiff and Appellant herein, filed suit for infringement of a patent on soap dispensers against D. J. Alexander; D. J. Alexander Corporation; American Dispenser Co., Inc., the Appellee herein; Burton L. Feinson; Shore-Robertson & Associates, a co-partnership consisting of Philip Shore and David Shore; and Southland Janitor Supply Company, a partnership consisting of David Kashinsky and Morris Smith [TR 1-4]. Suits against D. J. Alexander and D. J. Alexander Corporation have been dismissed on their unopposed motion for lack of proper venue.

The Marshal's returns state that on *November 12, 1964,* Shore-Robertson & Associates was served by leaving a copy with Philip Shore, a co-owner, Philip Shore was served by leaving a copy with Philip Shore, Individually, and American Dispenser Co., Inc. was served by leaving a copy with Philip Shore "the co-owner of Shore-Robertson & Associates, the western distributor of American Dispenser Co., Inc. products". [Supp. TR.]

On *December 17, 1964,* Burton L. Feinson, General Manager of American Dispenser Co., Inc. was served in New York City with a copy of the summons and complaint [Supp. TR.].

CONCISE STATEMENT OF PERTINENT FACTS.

The Complaint joined six parties as co-defendants. There is no indication in the Complaint what the relationships of the different co-defendants are. For example, there is no indication in the Complaint that Shore-Robertson & Associates, hereinafter referred to as Shore-Robertson, was being sued in its individual capacity as infringer and that it was also considered by Appellant to be an agent of the Appellee or even a distributor of the Appellee's products.

It is not clear from the records how Shore-Robertson was served. It is not shown whether Shore-Robertson was served with three copies of the summons and complaint, but in any case, from the record [Supp. TR.], it appears that on the face of the summons, the party being served was not indicated after the salutation, "To the above named Defendant:". In any case, Philip Shore was not served with a summons and/or Complaint indicating that it was intended for American Dispenser Co., Inc., hereinafter referred to as American Dispenser. Shore-Robertson did not inform American Dispenser that it had been served as a "distributor of American Dispenser Co., Inc. products".

On December 17, 1964, Burton L. Feinson was served in New York with a Complaint and summons [Supp. TR.]. The summons did not indicate after the salutation. "To the above named Defendant:" whether Feinson was being served in his individual capacity or whether

American Dispenser was being served through Feinson as its General Manager. American Dispenser, *without* knowledge that attempts had been made to serve it in California by service on Shore-Robertson as "western distributor of American Dispenser Co., Inc. products" and *without* knowledge as to whether Feinson had been served in his individual capacity or as an officer of American Dispenser, on January 6, 1965 filed a motion pursuant to Rule 12(b) of the Federal Rules of Civil Procedure for an order "that the return of summons upon the defendant Burton L. Feinson *and/or* American Dispenser Co., Inc. in New York City be quashed for lack of jurisdiction over the person and that this action be dismissed as to said defendants, Burton L. Feinson and American Dispenser Co., Inc. for improper venue" [TR 11 & 12]. In support of that motion, the affidavit of Feinson was filed, indicating that he did not know whether he "was being served personally as a defendant or American Dispenser Co., Inc. was being served through me (him) as an officer" [TR. 28, lines 16-25]. In its Memorandum in support of its motion, American Dispenser stated:

> "No attempt was made to serve American Dispenser Co., Inc., or Burton L. Feinson until December 17, 1964, when the Marshal of the Southern District of New York made an attempted service by handing a single copy of the complaint and the summons to Burton L. Feinson at his office in New York City * * * It is assumed for the purpose of these motions that the attempted service was intended for both of said defendants, although it was defectively made." [TR 12, lines 23-32].

It is apparent from the foregoing facts that American Dispenser had no knowledge of any attempted service on it in California through Philip Shore.

Up to the time American Dispenser brought its motion to quash service and dismiss for lack of proper venue, *no* request was made by the Appellant, The Bobrick Corporation, hereinafter referred to as Bobrick, to enter default against American Dispenser based on service in California on Philip Shore. However, on January 11, 1965, Bobrick filed a Request to Enter Default Against American Dispenser Co., Inc. for Failure to plead, directed to the clerk of the United States District Court for the Southern District of California under Rule 55(b) (1) instead of directing it to the Court under Rule 55(b) (2) [TR 103].

In Bobrick's opposition to the motion of American Dispenser to quash service for lack of jurisdiction over the person and to dismiss for improper venue, one of the grounds set forth for the opposition was that the motion was too late [TR 34, line 30]. Bobrick in its Memorandum of Points and Authorities in opposition to the motion of American Dispenser, submitted arguments that American Dispenser was in default and, therefore, had waived the right to raise the issue of lack of venue [TR 37, lines 19-23].

By order signed January 25, 1965 by Judge Westover, the return of service upon Burton L. Feinson was quashed and action as to Feinson was dismissed [TR 54]. No appeal has been taken on this order.

Also in this order, the Appellant was granted the right of "discovery on the issue of whether American Dispenser Co., Inc. has committed acts of infringement

and has a regular and established place of business within the Southern District of California" [TR 55]. *Bobrick raised no objections to the order and indicated its approval thereof by the approval signature of its attorney on the proposed order.*

Pursuant to Judge Westover's order of January 25, 1965, the deposition of Philip Shore was taken by Bobrick on March 2, 1965. *No objection was made to any questions asked by Bobrick's attorney on the ground that Bobrick was exceeding the scope of Judge Westover's order.* If Bobrick's attorney had asked special questions directed to the issue as to whether Philip Shore was an agent of American Dispenser for the service of summons in the State of California, assuming that such questions had no bearing on the question of venue, he would have been free to ask them. Moreover, it would have been difficult or impossible to distinguish questions dealing with the agency of Shore-Robertson to receive service on behalf of American Dispenser and questions directed to the issue of whether American Dispenser had a regular and established place of business on the issue of venue. Bobrick, therefore, notwithstanding the wording of Judge Westover's order of January 25, 1965, had full opportunity, in its examination of Philip Shore to prove that Philip Shore was an agent of American Dispenser for the purpose of service in the State of California. The Court did *not* prohibit discovery on the issue of jurisdiction over the person, as contended by Bobrick in its brief, page 5.

The affidavits of Burton L. Feinson in support of the motion of American Dispenser to quash service as to American Dispenser and to dismiss the action against it for lack of proper venue, show the following:

(1) American Dispenser does not make, use or sell soap dispensers in the State of California; it sells *in New York* soap dispensers and ships them to Shore-Robertson, as a customer, in California [TR 29, lines 1-5].

(2) American Dispenser has no financial interest in Shore-Robertson [TR 29, lines 5-6].

(3) Shore-Robertson is a sales organization independent of American Dispenser and buys outright from American Dispenser. Shore-Robertson is billed F.O.B. New York, by American Dispenser as soon as the soap dispensers are shipped from New York and the cost of shipping is charged to Shore-Robertson. Payments of the bills are mailed to the New York office of American Dispenser. Shore-Robertson alone is liable to American Dispenser for the payment of bills rendered by American Dispenser to Shore-Robertson [TR 29, lines 17-18; TR 83, lines 27-32; TR 84, lines 1-32].

(4) Shore-Robertson resells in California and other states solely on its own behalf, soap dispensers that it buys from American Dispenser, without control from American Dispenser and does its own warehousing and its own invoicing [TR 29, lines 19-23].

(5) Shore-Robertson not only buys from American Dispenser but also deals and sells products from other suppliers free from any control by American Dispenser.

(6) American Dispenser has no place of business in California, established, regular or otherwise, owns or leases no property in California, pays no rent, makes no reimbursements for rent paid by others, and pays no salaries or commissions in California. Although there is a telephone listing of American Dispenser in the southern district of California, this listing was made by Shore-Robertson at the latter's expense. American Dispenser keeps no stock and has no warehouse in California and has no agent acting on its behalf [TR 30, lines 1-11].

The deposition of Philip Shore taken by Bobrick on March 2, 1965 pursuant to the right of discovery granted to Bobrick shows:

(1) Shore-Robertson bought soap dispensers from American Dispenser and sold them as its own [Dep. pp. 12, 13].

(2) Shore-Robertson stores the merchandise which it buys from American Dispenser in a warehouse owned by Shore-Robertson and stores other merchandise therein sold by Shore-Robertson [Dep. p. 16].

(3) American Dispenser does not consign merchandise to Shore-Robertson [Dep. p. 20].

(4) Other firms besides American Dispenser use the address of Shore-Robertson in its advertising [Dep. p. 27].

(5) The name of American Dispenser was placed on a sign at the address of Shore-Robertson, without the consent of American Dispenser [Dep. pp. 28-30].

(6) No one connected with American Dispenser holds any stock or has any financial interest in Shore-Robertson [Dep. p. 31].

(7) Shore-Robertson maintains a stock of merchandise which it has purchased from American Dispenser and others and Shore-Robertson pays the personal property tax on this merchandise [Dep. p. 34].

(8) Shore-Robertson paid for a booth at the NSSA (National Association Sanitary) West Coast Trade Show displaying American Dispenser goods [Dep. p. 39].

(9) Shore-Robertson was not reimbursed for the payment of the booth at the end of the NSSA Trade Show [Dep. p. 41].

(10) Shore-Robertson had its own salesman taking orders at the booth of the NSSA Trade Show [Dep. p. 42].

(11) Shore-Robertson authorized listing of American Dispenser in the telephone book at its own expense without consulting American Dispenser [Dep. p. 54].

(12) Shore-Robertson listed in the telephone directory the names of others whose products it sold besides that of American Dispenser and has received no payment or rebate therefor. American Dispenser has not paid one cent in the last 25 years for any listing in the telephone directory in the Southern Judicial District of California [Dep. pp. 56-58].

(13) Shore-Robertson has checks to prove that it purchased and paid for all merchandise received from American Dispenser [Dep. p. 62].

(14) Shore-Robertson has no indemnity agreement with American Dispenser for American Dispenser to assume the expense of any infringement suit against Shore-Robertson [Dep. p. 63].

(15) American Dispenser pays no part of the rent for the premises occupied by Shore-Robertson [Dep. p. 63].

(16) Neither Mr. Burton L. Feinson nor any one connected with American Dispenser has ever been at the premises of Shore-Robertson [Dep. p. 65].

(17) Shore-Robertson does not use American Dispenser invoices in the sale of American Dispenser products [Dep. p. 67].

On December 17, 1964, American Dispenser filed a suit in the United States District Court for the District of Delaware against The Bobrick Corporation, the Appellant in the case at bar, for a Declaratory Judgment holding the patent now involved in the present suit, invalid and not infringed. Bobrick in the Delaware suit, after filing of its appeal herein, made a motion to Dismiss the Complaint or to Stay Action on the ground that all matters and issues involved in the Delaware suit were involved in and fully determinable by proceedings already pending in the United States for the Southern District of California and by order dated June 29, 1965, Judge Steel denied this motion. Bobrick, in the Delaware suit, has filed its Answer with Counterclaim for infringement of the patent here involved.

Bobrick has not shown that American Dispenser makes, uses or sells soap dispensers in the State of California, and therefore, has not shown that American Dispenser has committed any acts of infringement in the State of California.

SUMMARY OF ARGUMENT.

The issue of default was before Judge Westover in connection with (1) the motion of American Dispenser to dismiss the action as to American Dispenser for improper venue, (2) Bobrick's contention in opposition to the motion that this motion was too late [TR 34, line 30], and (3) Bobrick's Request for Entry of Default [TR 103], and after considering the affidavits in the case and the deposition of Philip Shore taken on discovery granted Bobrick, the District Court held in effect that there was *no* default because "Philip Shore is not an agent thereof for the service of summons in the state of California" [TR 101, lines 30, 31]. That should dispose of the question of default.

The facts elicited by affidavits and deposition determining the question of whether American Dispenser had a regular and established place of business in the Judicial District of Southern California, also established that Philip Shore was *not* an agent of American Dispenser for the service of summons in the State of California.

The affidavits and deposition in the case show that American Dispenser has no regular and established place of business in the Southern Judicial of California.

ARGUMENT.

I.

AMERICAN DISPENSER DID NOT WAIVE ITS RIGHT TO HAVE THE ACTION AGAINST IT DISMISSED ON THE GROUND THAT THE COURT DOES NOT HAVE JURISDICTION OVER ITS PERSON.

The service on Philip Shore as "western distributor of American Dispenser Co., Inc. products" was improper service. There was no showing that Philip Shore was a proper person for service as an agent of American Dispenser, no showing that Philip Shore knew that he was being served as "western distributor of American Dispenser Co., Inc. products", no showing that Philip Shore was authorized to receive service on behalf of American Dispenser, no showing that Philip Shore was so integrated into the organization of American Dispenser as to obligate him to inform American Dispenser of attempted service of process on him on behalf of American Dispenser, and no showing that American Dispenser knew of the attempted service on it in California through service on Philip Shore.

Also, the return on the service of the complaint by U.S. Marshal on Philip Shore did not constitute upon its face a lawful return. Any one distributing a product of a company is not necessarily an agent of the company for the service of process on said company under the law.

Although the motion of American Dispenser of January 7, 1965 did not specifically mention the attempted service on it in California through service on Philip Shore, because of its lack of knowledge thereof,

it did headline the motion broadly as a Motion to Quash Service for Lack of Jurisdiction Over the Person and to Dismiss for Improper Venue and at the end of the motion asked for the "dismissal of the action against American Dispenser Co., Inc." [TR 11 & 26]. Also, in its reply to Bobrick's opposition to the motion of American Dispenser, it was indicated broadly that the District Court did "not have jurisdiction over the person of American Dispenser Co., Inc." and asked broadly for dismissal of the action "for lack of jurisdiction over the person" [TR 52]. These requests for dismissal of the action against American Dispenser were comprehensive enough to include a request for dismissal of the complaint on the ground of improper service, either in New York or California and on the ground that it would be impossible to effect proper service in these jurisdictions in view of the absence of American Dispenser in California. Bobrick based its opposition to the motion of American Dispenser to quash service on the ground that the motion was too late because of service on American Dispenser in California through Philip Shore [TR 34, line 30]. Also, Bobrick, before the motion was heard filed a Request for Entry of Default [TR 103]. Bobrick brought into the motion the issue of default because of service on Philip Shore on behalf of American Dispenser and this issue became an integral part of the motion. At the final hearing of the motion before Judge Westover on March 29, 1964, Bobrick's attorney argued at great length that service upon Philip Shore was binding upon American Dispenser [TR 98]. The issue, therefore, was before the court before entry of the final order of dismissal. Judge Westover in his final order, after considering this issue, in effect ruled

that there was no default, because "Philip Shore is not an agent thereof (American Dispenser) for the service of summons in the State of California". Certainly, Judge Westover would not have made this finding, if the issue had not been before him, and if he had not considered the issue on its merits. Under these conditions, American Dispenser did not waive the lack of jurisdiction over its person arising out of service in California, and Bobrick was not deprived of a full hearing on its objection to the motion.

Bobrick on page 7 of its brief, refers to Rule 12-(g) and (h) of the Federal Rules of Civil Procedure in an attempt to show that American Dispenser waived jurisdiction over its person arising over attempted service in California. The Rule prevents one motion of a definite class from being brought after another motion of the same class has been brought. There are no prescribed Rules in the Federal Rules of Civil Procedure regarding the form in which a motion must be brought. It can be brought formally at the discretion of the District Court, it can be brought informally in open court; it can be explicit or implicit; and correlated issues and supplementary motions can be injected into the basic motion up to the time the basic motion is argued and decided. Until a motion is argued and decided, it is still considered a pending motion in the process of being formulated and can be modified or supplemented at the discretion of the district court until the decision is handed down.

In the instant case, assuming that the motion of American Dispenser, when originally instituted, did not refer to the attempted service in California, the motion became supplemented and amplified before being heard, into a motion broad enough to include a motion to quash attempted service in New York or California on the basis of the issues raised by Bobrick.

Although American Dispenser did not file its motion until more than twenty days after attempted service on American Dispenser in California, there is no waiver of venue resulting therefrom, because venue cannot be "waived in a forum in which an action has not and could not have been properly brought by the opposing party". *Behimer v. Sullivan,* 261 F. 2d 467, CCA7. In *Kadet-Kruger & Co. v. Celanese Corporation of America,* 216 F.Supp. 249, N.D. Ill. E.D., three months after entry of a default, defendant moved to quash defective service. The court, in vacating the default order, held that the twenty day period for answering did not begin to run "until service had been effected in a legally permissible manner".

Also, assuming, *arguendo,* that there was a technical default here, Judge Westover has refused to enter such a default. Under Rule 55(c) of the Federal Rules of Civil Procedure, the District Court can set aside a default for good cause. The "grant or denial of a motion for the entry of a default judgment is within the discretion of the court". *Lau Ah Yew v. Dulles,* 236 F. 2d 415, CCA9.

II.

JURISDICTION OF THE DISTRICT COURT OVER THE PERSON OF AMERICAN DISPENSER IS NOT DEPENDENT ON THE LAW OF THE STATE OF CALIFORNIA.

Bobrick in its brief on page 8, states that Rules 4(d)-(3) and 4(d) (7) of the Federal Rules of Civil Procedure, are applicable to the question of the propriety of service and contends that under these Rules, the service is sufficient if the summons and complaint are served in the manner prescribed by the California Code of Civil Procedure. Then it proceeds to quote most profusely on seven pages of the brief from the state decision of *Cosper v. Smith & Wesson Arms Co.,* 53 Cal. 2d 77 in an attempt to prove that service on the general manager of the defendant operating in a certain manner in the State of California was good service. Bobrick is in error in its method of rationalization and in the relevancy it attributes to this case.

The Patent Statutes specifically provide the conditions under which an alleged infringer is amenable to the process of a federal court. Whether such an infringer was present or doing business within the state so as to make it amenable to the process of this court is a question of substantive law to be decided solely by the decisions of the Federal Courts. 28 U.S.C. 1400(b) provides:

> "Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business."

This Statute, in effect, indicates when a foreign corporation in a patent infringement suit is considered to be doing business in a district, so as to make it amenable to the process of a federal court in that district. 28 U.S.C. 1694 provides:

> "In a patent infringement action commenced in a district where the defendant is not a resident but has a regular and established place of business, service of process, summons or subpoena upon such defendant may be made upon his agent or agents conducting such business".

And Rule 82 of the Federal Rules of Civil Procedure holds that the rules of Civil Procedure

> "shall not be construed to extend or limit the jurisdiction of the United States district courts or the venue of actions therein".

In *Jacobowitz v. Thomson,* 141 F. 2d 72, 75, CCA2, it was held that validity of service under federal statutes is a matter of federal law and in *Favell-Utley Realty Co. v. Harbor Plywood Corp.,* 94 F.Supp. 96, N.D. Cal., S.D., it was held that Rule 4 (d) (7) is of no assistance unless constitutional and federal statutory standards have been met. In *Singleton v. Atlantic Coast Line R. Co.,* 20 F.R.D. 15, D.C. Mich., it was held that where a federally-created right is being asserted in a federal court, federal law governs as to whether a foreign corporation is doing business within the district in which that federal court is sitting so as to be amenable to service of process within the district. To the same effect, see also *Bar's Leaks Western, Inc. v. Pollock,* 148 F.Supp. 710, D.C. Cal. And in *B. Heller & Co. v.*

First Spice Manufacturing Corp., 172 F.Supp. 46, N.D. Ill, E.D., it was held:

> "However, in patent infringement cases, Rule 4 of the Federal Rules of Civil Procedure, 28 U.S.C., should not be construed to extend or limit the jurisdiction or venue of the district courts."

It is submitted, therefore, that Federal Rules 4 (d)-(3) and 4 (d) (7) only refer to the method of service and presuppose that the foreign corporation is amenable to suit in the state. Whether state standards or federal law concepts are to be applied in determining the amenability of a foreign corporation to suit in a state depends on whether state or federal-created law is being asserted.

The case of *Cosper v. Smith & Wesson Arms Co.,* 53 Cal. 2d 77, so heavily relied on by Bobrick in its brief, indicates that the validity of service under Federal Rules depends not only on whether "the person served is within the statutory designation here 'the general manager in this state'" but *also* "on whether the foreign corporation is 'doing business in this state' within the meaning of the Statute" (p. 82 not quoted by Appellant). Since the Federal Statute 28 U.S.C. 1400(b) has provided, in effect, that in a patent infringement suit, a foreign corporation, for the purpose of jurisdiction, is considered to be "doing business" in a district when the corporation has "a regular and established place of business" in the jurisdiction, the application of the criteria of "doing business" set forth in *Cosper v. Smith & Wesson Arms Co.* cannot be applied to the instant patent infringement suit. In *Cosper v. Smith & Wesson Arms Co.,* the plaintiff, a police officer, brought action for personal injuries allegedly

sustained in the State of California, when the cylinder of a revolver purchased by him in the State from the defendant and manufactured by the defendant, exploded and blew a part during target practice. No federal question of law was involved there, and the presence of the defendant corporation in California was therefore determined in accordance with the law of California.

Even under the laws of the State of California, Philip Shore is not an agent of American Dispenser for the service of summons in the State of California under the decision in *L. D. Reeder Contractors of Ariz. v. Higgins Industries,* 265 F. 2d 768, CCA9.

Bobrick, in its attempt to bring the instant case within the ambit of the California case of *Cosper v. Smith & Wesson Arms Co.,* makes statements in its brief which are not supported by the record or which may raise implications not based on facts. For example, on the bottom of page 14 of its brief, it states that "American admits that Shore-Robertson sells substantially quantities of its products in California". No such admission is found in the records. If any products of American Dispenser are sold in California, they are *not* sold by American Dispenser but are sold by Shore-Robertson as owner of these products and on its own behalf [TR 29, lines 7-23; TR 83, 84 and 85 and Exhibits A, B and C]. All sales by American Dispenser to Shore-Robertson are consummated in New York. American Dispenser has not made, used or sold any Soap Dispensers in California and therefore, has *not* infringed any of Bobrick's patents in California.

Bobrick on top of page 15 of its brief, states that "the infringing sale occurred in this State (Califor-

nia)". If there were any infringing sales, they were made by Shore-Robertson as the owner of the products it brought outright in New York from American Dispenser and *not* by American Dispenser.

Also, Bobrick on page 15 of its brief, states that "the District Court abused its discretion by deciding the question without permitting discovery and a hearing". Bobrick had its hearing and in its briefs in opposition to the motion did raise the question of default and did make a request for entry of judgment or default. The discovery to determine the question of whether or not American Dispenser has a regular and established place of business, was comprehensive enough to determine the capacity of Philip Shore as agent of American Dispenser to receive process on its behalf. Moreover, Bobrick's attorney *approved* the order of Judge Westover granting it the right of discovery on the issue of whether American Dispenser has committed acts of infringement and has a regular and established place of business within the Southern Judicial District of California [TR 55], notwithstanding the fact that in its opposition, filed January 14, 1965, to the motion, it had opposed the motion as being too late [TR 34, line 30] and on January 11, 1965 it had filed a Request to Enter Default [TR 103]. Under these conditions, Bobrick is *estopped* from asserting that it has been deprived of the right of discovery on the issue of jurisdiction.

Bobrick, still careless with the facts, states on top of page 15 of its brief that "plaintiff is a California Cor-

poration". Bobrick is a Delaware Corporation [TR 7, lines 23 and 24] and American Dispenser is a New York Corporation. The trial would be more convenient for the parties in Delaware where the Declaratory Judgment Suit against Bobrick has been brought, and near where the products of American Dispenser are located.

Bobrick on page 15 of its brief, cites and quotes from *Orange Theatre Corp. v. Rayherstz Amusement Corp.,* 130 F. 2d 185, CCA3, where the case was remanded for further proceedings on the question of default. That case is not applicable here. In that case, there had been stipulations extending time for answer, and the District Court, under a misunderstanding of the law, had considered these stipulations sufficient to avoid default. The appeal court held otherwise, and remanded the case back to the District Court to determine the question of default on the basis of the correct legal premise that stipulations extending time were ineffective in avoiding defaults. Based on proper legal premise, the District Court might have held the default sufficient to justify denial of defendant's motion based on improper venue.

In the case at bar, Judge Westover has already decided the question of default from the facts available to him, and for good cause, has refused to enter judgment on default. The issue has already been fully considered and a decision rendered thereon, and a remand would still result in dismissal of the action against American Dispenser. Remand, therefore, to the District Court in this case would be a futile gesture, since in

the exrecise of its discretion and also for good cause, the default would be set aside on motion.

It is interesting to note in connection with the case of *Orange Theatre Corp. v. Rayherstz,* relied upon by Bobrick, that after the remand, the district court *again* granted the defendant's motion for dismissal and the plaintiff again appealed. This time, the Court of Appeals, in 139 F. 2d 871, CCA3, in affirming the District Court's order of dismissal, said:

> "For if the extraterritorial service upon the individual defendants was unauthorized and invalid it did not confer upon the district court the power to adjudicate the controversy between the parties. Munter v. Weil Corset Co., 1923, 261 U.S. 276, 43 S.Ct. 347, 61 L.Ed. 652. The individual defendants were, therefore, entitled to ignore the whole proceeding and subsequently attack any default judgment which might result from it. Butterworth v. Hill, 1886, 114 U.S. 128, 5 S.Ct. 796, 29 L.Ed. 119. Under such circumstances the district court could acquire the power to adjudicate the controversy only if the parties voluntarily appeared. Consequently the failure of the individual defendants to assert the defense of lack of jurisdiction of their persons could not at any time before their voluntary appearance fairly be treated as a waiver of the defense nor could the twenty day period prescribed by Rule 12 for serving a motion or answer raising the defense commence to run prior to such appearance."

III.

VENUE IS IMPROPER.

Bobrick, in its brief, tries to dodge the consequences of improper venue by reliance on alleged default arising from improper service of process. It is significant that Bobrick, nowhere in its brief, argues that there is proper venue in this case. Since Bobrick is the appellant, American Dispenser would be justified by the absence of such arguments to dispense with a discussion of the question of proper venue. However, since the issue of whether American Dispenser has a regular and established place of business in California will also decide whether Philip Shore is an agent of American Dispenser for the service of summons in the State of California, a discussion of this question of venue is submitted herein.

Fourco Glass Co. v. Transmirra Products Corp., 352 U.S. 222, 77 S.Ct. 787, held "that 28 U.S.C. 1400(b) is the sole and exclusive provision controlling venue in patent actions". Therefore, to support proper venue, Bobrick must plead and prove:

(1) that the American Dispenser resides in the Southern Judicial District of California, *or*

(2) that American Dispenser has committed acts of infringement in that district *and* has a regular and established place of business in that district.

The two requirements under (2) are in the conjunctive and the "absence of either circumstance is fatal". *Endrezze v. Dorr,* 97 F. 2d 46, CCA9.

Furthermore, the burden of proving the "jurisdictional facts" is on Bobrick and any doubts should be resolved against Bobrick. *Phillips v. Baker,* 121 F. 2d 752, CCA9.

Here, there has been no infringement in California by American Dispenser under the holdings in *Endrezze v. Dorr Co. Inc.,* 97 F. 2d 46, CCA9; *Marlatt v. Merganthaler Linotype,* 70 F.Supp. 426, S.D. Cal.; *Kamkap Inc. v. Worldbest Industries,* 140 F.Supp. 854, S.D. N.Y., and *Minnesota Mining & Mfg. Co. v. International Plastic Corp.,* 159 F. 2d 554, CCA7. The affidavits of Feinson [TR 29, lines 7-23; TR 83, 84 and 85 and Exhibits A, B and C], indicate that under these decisions, American Dispenser has not committed any acts of infringement in the Southern Judicial District of California; that should dispose of the question of venue in California. In addition, American Dispenser does *not* have a regular and established place of business in California as the facts under the heading CONCISE STATEMENT OF PERTINENT FACTS herein indicated. On this issue, *Phillips v. Baker,* 121 F. 2d 752, CCA9, held:

> "* * * before a foreign corporation subjects itself to jurisdiction in a patent suit, it must appear that it is 'engaged in carrying on in a continuous manner a substantial part of its ordinary business' within the district in which action is brought * * * In order to bring itself within the jurisdiction of a court of a particular district, by force of the statute the defendant firm (a) must have a place of business in the district; (b) that place of business must be 'regular'; and (c) it must be 'established'."

Bobrick, during the course of the motion of American Dispenser through the lower court, attempted to prove proper venue based on the facts that (1) American Dispenser had its name on the front of the building in Los Angeles, California and received mail there,

(2) American Dispenser was listed in the Los Angeles telephone directory, (3) American Dispenser advertised the "Western Sales Office" as being located in Los Angeles, and (4) American Dispenser had a booth at the NSSA West Coast Trade Show in Los Angeles. Bobrick also relies on these facts in its brief on pages 4 and 5 to show that Philip Shore was an agent of American Dispenser for service of process.

The listing by a defendant of a name on the front of a building in a judicial district and a listing in the telephone directory in the judicial district does not indicate that the defendant has a regular and established place of business in that judicial district. The listing here in the telephone directory was made at the expense of Shore-Robertson without consulting American Dispenser [Dep. pp. 54, 58] and the name of American Dispenser was placed on a sign at the address of Shore-Robertson, in conjunction with those of other firms without the consent of American Dispenser [Dep. pp. 27, 28, 30.]

The authorities support the position of American Dispenser. In *Wilson v. McKinney Mfg. Co.,* 59 F. 2d 332, CCA9, it was held on this issue:

> "Advertising, good will operations, maintenance of an office, listing its name in the telephone directory, or having its name on a door, while material, do not necessarily constitute 'doing business'."

In *General Radio Company v. Superior Electric Company*, 293 F. 2d 949, CCA1, the facts and decision were recited as follows:

> "Superior displays its name on the door of its Massachusetts sales office on the directory in the

main hallway of the building in which its office is located and on the outside of the building itself. Its name and address are listed in the local telephone directory and also the Yellow Pages carrying advertising.

On these facts we think the court below correctly dismissed the plaintiff's complaint for lack of venue insofar as it claims patent infringement."

The case *W. S. Tyler Co. v. Ludlow-Saylor Wire Co.*, 236 U.S. 723, 35 S.Ct. 458, 59 L.Ed. 808, is still cited as a leading case in the field. In that case, the defendant foreign corporation maintained an office and secretary in New York, sharing the rent and salary expenses with another corporation. A salesman was paid salary, commission and expenses; he had authority to solicit purchase orders within the state, but could not complete sales. The corporation listed itself in the New York telephone directory and on the office door. It also advertised itself as having a New York office and had samples on display in its New York office. The court held that under this state of facts, venue did not lie in New York.

In *Knapp-Monarch Co. v. Casco Products Corp.*, 342 F. 2d 622, CCA7, on this issue, the court in relying on *W. S. Tyler Co. v. Ludlow-Saylor Wire Co. (supra)*, said:

"Initially, we hold that Casco's maintaining a sales representative in Chicago does not meet the statutory test. * * *

The fact that Casco had its name listed on the building directory where Langenfeld had its office

> is not determinative when we are mindful that Casco paid none of Langenfeld's expenses, had no employees in the latter's office, and exercised no control over its operation."

And in *Brevel Products Corp. v. H&B American Corporation,* 202 F.Supp. 824, S.D. N.Y., the defendant, a California concern, maintained a New York telephone number; its name appeared on the building directory and on portions of the door of the Ross-Bornemann Associates, independent contractors working for the defendant on a commission basis and acting as sales representatives in the New York area for many product manufacturers; defendant's catalog listed the address of Ross-Bornemann Associates in New York as its "New York sales and show-room". The Court held that the "foregoing facts are insufficient to sustain venue in this district (New York) under 28 U.S.C. Sec. 1400-(b)".

The general law regarding the effect of a distributor or sales representative in determining the question of venue is also followed in the determining the sufficiency of service of process under Rule 4 of the Federal Rules of Civil Procedure. *Moore's Federal Practice,* Vol. 2, Second Edition p. 1122 *et seq.* under the heading SERVICE UNDER RULE 4 (d) (3), states:

> "The term 'a managing or general agent' apparently refers to a person of authority and responsibility in the organization's operations in the place where service is made."

Philip Shore has no position of any kind in American Dispenser.

Also, *Moore,* in this connection, says further

> "* * * ordinarily an independent distributor or sales organization is not considered the agent for the acceptance of service upon organization in whose products it deals, unless it is shown that the production organization so controls the distribution or sales organization that it is proper to consider it the agent of the production organization."

As to the contention of Bobrick that American Dispenser advertised its Western Sales Offices as being at 7701 E. Compton, it should be noted that in *all* of these advertisements, the name of "Philip Shore & Associates" was indicated in connection with this address. American Dispenser was merely referrring to Philip Shore & Associates as an organization from which the products of American Dispenser could be purchased.

Bobrick also grasps at the fact that there was a display of the goods of American Dispenser at the NSSA West Coast Trade Show in Los Angeles, to show that American Dispenser had a regular and established place of business in Los Angeles. Although the goods of American Dispenser were displayed at the Trade Show, the booth was that of Shore-Robertson, paid entirely by latter firm [Dep. pp. 39, 41] and staffed by its own salesmen [Dep. p. 42].

Authorities hold that the display of goods at a Show in a district by a defendant does not indicate that the defendant has a regular and established place of business in the district. On this issue, the case of *Knapp-Mon-*

arch Company v. Casco Products Corp. et al., 342 F. 2d 622, CCA 7 (*supra*), is in point. There, the Court held:

> "We next consider Casco's participation in the Housewares Shows. Although the show itself may have been a semiannual event and thus 'regular' in that sense, Casco's participation in it constituted a temporary presence in Chicago rather than a regular and established place where one could transact business with the defendant from day to day and from month to month. Moreover, as the court pointed out in B. Heller & Co. v. First Spice Mfg. Corp., 172 F.Supp. 46, 121 USPQ 568 (D.C. Ill. 1959), where a similar question was presented, 'the (trade) organizations need not have an annual trade show, they need not hold it within this district, they need not rent space to defendants * * * since these factors are removed from defendants' control, it cannot be said that defendants have a 'regular and established' place of business within this district.' Similarly, Casco did not have that degree of control over the Housewares Shows for it to have there an established place of business, that is one of a permanent or settled character."

To the same effect, see *Mastanuono v. Jacobsen Manufacturing Company,* 184 F.Supp. 178, S.D. N.Y., and *New Wrinkle, Inc. v. Fritz et al.,* 30 F.Supp. 89, W.D. N.Y.

The Declaratory Judgment Action filed in Delaware against Bobrick gives Bobrick an opportunity to quickly litigate all issues involved in the instant suit between it and American Dispenser in a jurisdiction where the

question of jurisdiction and venue cannot arise. Bobrick has failed to stay the action in Delaware and that action will proceed along its normal course. In *Phillips v. Baker,* 121 F. 2d 752, CCA9, the Court in granting a motion to dismiss for lack of proper venue, considered it "better that the parties be remitted to the district where there is no doubt as to the jurisdiction". And in *Harris-Intertype Corp. v. Photon, Inc. et al.,* 185 F. Supp. 525, S.D. N.Y., the Declaratory Judgment Action was filed in Massachusetts fifteen (15) days after filing in New York. The Court in dismissing the bill because the defendant had no regular and established place of business, said:

> "It is to be observed that the controlling issues in this patent litigation can be fully, effectively, and expeditiously adjudicated in the District of Massachusetts."

CONCLUSION.

For the many reasons indicated above, the Court is respectfully urged to affirm the judgment of the District Court.

Respectfully submitted,

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Certificate.

I certify that, in connection with the preparation of this brief, I have examined Rules 18 and 19 of the United States Court of Appeals for the Ninth Circuit, and that, in my opinion, the foregoing brief is in full compliance with those rules.

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